

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - SPECIAL SESSION COMMITTEE ON APPROPRIATIONS**

**Call to Order:** By **CHAIR DAVE LEWIS**, on July 25, 2002 at 8:00 A.M., in Room 102 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Dave Lewis, Chair (R)  
Rep. Edith Clark, Vice Chair (R)  
Rep. Matt McCann, Vice Chair (D)  
Rep. John Brueggeman (R)  
Rep. Rosalie (Rosie) Buzzas (D)  
Rep. Tim Callahan (D)  
Rep. Bob Davies (R)  
Rep. Stanley (Stan) Fisher (R)  
Rep. Dick Haines (R)  
Rep. Donald L. Hedges (R)  
Rep. Joey Jayne (D)  
Rep. Dave Kasten (R)  
Rep. Christine Kaufmann (D)  
Rep. Monica Lindeen (D)  
Rep. Jeff Pattison (R)  
Rep. John Sinrud (R)  
Rep. Joe Tropila (D)  
Rep. John Witt (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Taryn Purdy, Legislative Branch  
Mary Lou Schmitz, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 8 7/17/2002  
Executive Action: HB 5 Do Pass As Amended 11-7  
HB 9 Do Pass As Amended 15-3  
HB 10 Do Pass As Amended 12-6

Chairman Lewis opened the meeting with announcements and the agenda the committee would follow.

Vice Chair Clark took over the meeting at this point and opened the Hearing on HB 8.

#### HEARING ON HB 8

**Sponsor:** Representative Dave Lewis, HD 55 said this was a Supreme Court proposal and part of the Governor's package. It will switch \$223,000 funding for Cultural and Aesthetics grants from the general fund to the Lodging Facility Use Tax. He referred to the Proponents for further explanation of the Bill.

**Proponents:** Chuck Swysgood, Director, Office of Budget and Program Planning said this is one of the Bills of a number of Bills that are part of the package his Office will present.

Mark Simonich, Director, Department of Commerce said travel promotion responsibility falls within the Department of Commerce. The reason for the funding switch is that over the last four fiscal years, they have been able to develop a small surplus within the bed tax fund. The expenditures for promotional activities have been something less than what the bed tax has brought in. That has left a surplus at this time. While the money that is offered up today does not immediately or directly affect their promotional efforts, the efforts they are planning for this year, they still result in a cut to the Department because they are funds that the Department had available. They are trying to put into place a new customer relations management tool, software for how they deal with the public and how they respond to customer requests etc. So these funds are a way to eventually do that. By offering up the dollars in this budget cut they are going to have to delay that activity. This is not without cost to the Department or ultimately to their promotional efforts.

Arlynn Fishbaugh, Director, Montana Arts Council said they administer the Cultural Trust grants. These are not only arts grants or arts trusts but also fund other programs, such as Montana Ag Museum in Fort Benton or the Arlee Historical Society.

Amy Sullivan, Montana Tourism Coalition said they support this one-time only transfer. They are pleased that the tourism industry has been able to maintain and grow and able to bring forth some of this money for the budget crisis. However, in reviewing this, she made a couple observations in terms of depleting the entire reserve account of \$1.9 million. In view of

the stock market and the effects of 9/11, they do not know what is going to happen to their industry. They feel depleting the entire reserve account may be remiss in the long term, even just a couple months out. They would like to have some of the reserve replaced.

**Stuart Doggett, Montana Innkeepers Association** said the budget transfers in this Bill raise some concerns. Reducing the bed tax reserve called for in HB 8 and again in HB 2, eliminates some of the funding that has been set aside in his industry. Working with the administration on the Tourist Advisory Council and other groups, funding should be used to purchase a needed soft-ware program for the Travel Montana Call Center. It was suggested this is a new program. That is not the case. The Center has been in existence for 9 years and the money that was set aside, \$600,000, whether they needed the total amount or not, was to upgrade a software program because the software is 8 years old. The Committee should know that the software now does not function properly. They are in hopes the Department of Administration can look at that and make some logical resolutions.

There are now non-resident travelers spending a little over \$1.6 billion in our economy. Tourism has been an early industry in the state. However, he does support taking these funds for the budget situation as the Committee continues its deliberations. It is his hope they will look at this issue and retain a small amount of reserve for making an upgrade to the software program.

**Opponents:** None

**Questions from Committee Members and Responses:** **Representative Buzzas** asked **Ms. Fishbaugh** how she feels about this and if the money goes back into tourism in January, is she concerned about not getting funding for her program? **Ms. Fishbaugh** said she is always concerned. She will continue to advocate for these programs and how they improve the economy, revitalize communities and improve education which are strong investments for Montana.

**Representative McCann** said apparently there is a reserve of \$1.9 million. Will the special programs listed use up the entire reserve? **Director Simonich** said no, it will not. The account balance right now is about \$2.1 million. The total proposed fund switch encompassed within HB 8 and all the programs in HB 2, including money going to the Arts Council; Parks Division, Fish, Wildlife and Parks; Museum of the Rockies; as well as the Historical Society, adds up to \$1,915,000. There is about \$200,000 left in the account. By statute the Department is

allocated 67% of all bed taxes collected. This reserve has only been built up over the last four years.

**Representative McCann** asked why the state continues to support the Museum of the Rockies? He understands it is affiliated with the University in Bozeman but asked for the relationship to be explained. **Director Swysgood** said in his effort to make sure that the use of the bed tax money was tourism related and to be able to get as much general fund out of those programs such as the Museum of the Rockies, which is world renowned for its displays, it was one of the areas to get a fund switch. Their base is still intact so this will not affect the base. In answer to **Representative McCann's** question, the Museum is partly self-sufficient but there is some state support through the University system, about \$500,000.

**Representative Haines** said, in summary, the **Director's** concerns are two. If the tourism market is soft, there may be expenditures but won't have a reserve to cover and that in the future if this money is taken out of the program, it would cut into the program. **Director Simonich** said the second concern is most accurate. They want to make sure that, even with their estimates for this year, they will need a cushion. His concern is for the long term. If they want to continue to maintain a strong promotional effort in the state, they need to be cautious how much of the bed tax money they divert away from promotions to other types of activities.

**Closing by Sponsor:** **Representative Lewis** closed the Hearing on HB 8 by commending the Industry and the Budget Office for being cooperative. This has been an item of discussion for years as to whether or not some of the activities of state government that do have a relationship with tourism and travel may be eligible for funding from this source.

**Chairman Lewis chaired the meeting at this point.**

He said the next order of business will be taking up the Department of Justice, Motor Vehicle Division. This is one of the major fund switches that make up the Governor's proposal, taking \$8.2 million out of the Department of Transportation Fuel Tax Account and using it to fund the Motor Vehicle Division.

**Greg DeWitt, Legislative Fiscal Division,** said this is a funding switch for the Department of Motor Vehicles which is currently funded, partly with general fund, to be funded with the State Special Revenue Account. He referred to Pages 71, 73 (the issues) 74 and 75 (the language) of the Legislative Budget Analysis book.

**{Tape : 1; Side : A; Approx. Time Counter : 0 - 29.3}**

**Dave Galt, Director, Department of Transportation** explained **EXHIBIT(aph-8a01)** **EXHIBIT(aph-8a02)** and referred to three issues, the current fund balance, the impact with the changes and what happens with re-authorization of the Federal Highway Bill and the constitutionality of the changes. He also spoke of the constitutional language on Page 73, parts a, b and c, and Page 75, Legislative Budget Analysis. The whole issue concerning not raising gasoline taxes is going to rest with what kind of federal aid highway program Montana is privileged to get at the beginning of 2004. Can we make a one-time transfer of this money and not raise taxes in 2003, yes. His concern is that this becomes an ongoing transfer.

**Cary Hegreberg, Montana Contractors' Association** said his group is opposed to the transfer of \$8.3 million out of the highway special revenue account. Construction is done for a reason and that is to provide a safe and expedient transportation system for a state with a lot of geography and not very many options on how else to get around. The transportation system in this state is vital to all residents. The National Acceptance Statistic is that 42 jobs are created by every \$1 million spent on highway construction. So the \$8.3 million was spent directly on construction. That translates into roughly 340 jobs paying somewhere in the neighborhood of \$20 an hour. That \$8.3 million is matched with federal money which translates into 2400 jobs for the State of Montana. The real issue is, will we be able to match those federal dollars in the future? He does not relish the prospect of trying to convince the legislature to pass a gas tax increase.

**Dean Roberts, Administrator, Motor Vehicle Division, Department of Justice** said he agrees with **Director Galt** and sees this as a one-time funding switch. At the present time they have about \$400,000 of their \$9 million budget coming out of gas tax money this biennium.

**Jerry Driscoll, Montana AFL/CIO** said when money is switched, it's never coming back to highway construction. It is not a one-time source because the next crisis will be worse.

**Questions from the Committee:** **Representative Fisher** expressed a concern to **Mr. Hegreberg** who responded. There are a few large sources of money available in the State of Montana, one of which is this Highway Construction account. Another is the Coal Trust. The Coal Trust is getting 6% or 7% interest. The Highway Construction account at the Department of Transportation is generating 42 jobs for every \$1 million invested. Every \$1

million of the Coal Trust is netting the state 2% in interest, accruing in perpetuity. That is a better source to be drawing from than the highway account. The return on investment for the State of Montana is going to be much better drawing the Coal Trust down than this one.

**Representative McCann** asked **Director Galt** what the total federal amount is for the transportation program? **Director Galt** said their program last year was \$285 million, FY 2002. There was a drawback in that account and they lost some Federal money for FY 2003, around \$259 million. Their match rate varies, depending on where they spend it, how they spend it and if they are getting .92 on every dollar of federal aid or, at worst, .87 on every dollar.

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**Representative Jayne** referred to the language proposed to add to HB 2, and asked **Director Swysgood** if there is any other language in HB 2 that would negate this particular language proposed by the executive? **Director Swysgood** said not that he is aware of. That language allows the Department to, under the current accounting system, transfer and still be able to work within the parameter of restricted and unrestricted accounts.

In response to a question from **Representative Buzzas**, **Director Galt** said they track revenue coming in. They don't tie the revenue in each individual expenditure account.

**Greg DeWitt, Legislative Fiscal Division** said, in conversations with analysts in the Budget Office, their intent is to have a separate appropriation which tracks these numbers for a restricted account and a separate one for a non-restricted account for immediate action, not the long term.

**Representative McCann** asked **Director Galt** what his projected figure is in federal money to make the program work for Montana? **Director Galt** said the Department is planning on and is geared up for, \$325 million. If they got a program for \$375 million they would have to come back to the Legislature because they don't have enough money to get through the 2005 biennium. There are two problems that could surface. The first one is, they are not going to know the level of that program in the 2003 legislative session because the Federal Highway Bill won't be signed until January, 2004, or December, 2003. They will be past the 2003 Legislature before they know what that program is going to be. The second thing is, traditionally, when there is such a drastic increase in a federal program, Congress allows the states to ramp

up. A \$375 million program is very optimistic, certainly not impossible.

**Chairman Lewis** summarized saying, **Director Galt's** best guess is the 2007 Legislature will have to deal with a tax increase.

In response to a question by **Representative Buzzas**, **Director Swysgood** said everything they are doing in the special session is for FY 2003. So all the money these agencies have had in funding switch proposals, the original money is still there. They will work from the base when they put the budget together for FY 2004 and FY 2005. Those bases are probably going to disappear and will have to work at a lower level than accustomed to because the revenue isn't there to continue to fund government at the rate it is being funded now. There are no plans for increasing revenue.

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*{Tape : 2; Side : B; Approx. Time Counter : 0}*

**Todd Younkin, Legislative Fiscal Analyst**, referred to page 76, the Legislative Budget Analysis book, saying this proposal is a fund switch in two parts. The first part will take place within the Department of Labor and Industry. There will be a fund switch of \$4 million in the Employment Security Account, state special revenue, and will be replaced with \$4 million in federal funding. That will come from a one-time only Reed Act distribution. Once that \$4 million is replaced it frees up \$4 million and takes special revenue ESA funding which will then be used to replace general fund across state government. He referred to the chart at the top of page 77.

**Director Swysgood** said they had originally intended to use some of the money that is in the Trust Account for the Unemployment Insurance Benefit Program, which has grown over the years. Once the money goes into that fund, it can't be touched. He explained how they could fund the agency programs as stated by **Mr. Younkin**.

**Chairman Lewis** referred to **Director Swysgood** saying, if he looked at the programs funded with this and wanted to eliminate one of those programs, would it leave that money to replace general fund in Health and Human Services in one of their programs? This is effectively general fund money. **Director Swysgood** said that could be done but he would caution the Committee that he has tried consistently with fund switches, used the money that came from those sources to fund programs that were directly, or could be tied to, the purpose of what the fund was so he would adamantly oppose the Committee doing that.

**Chairman Lewis** said he understands that it would have to be something that would be proper use of funds, such as job training activities. **Director Swysgood** said if **Chairman Lewis** could find more job related training programs than he has found, he would welcome that suggestion.

**Representative Jayne** referred a question concerning the Reed Act to **Kevin Braun, Department of Labor and Industry**. What are the restrictions? **Mr. Braun** said the Reed Act is a one-time only solution. The Department, over the years, has received about \$300,000 a year. It goes to Unemployment Insurance Administration to be used for job service. It also goes to the payment of unemployment insurance benefits. **Representative Jayne** asked who has control of those monies when it is received and the authorization to spend it? **Mr. Braun** said the funds are held in the Unemployment Insurance Trust Account.

**Chairman Lewis** asked **Pat Gervais, Legislative Analyst**, if there are other areas within the ESA programs that might be eligible for use of this Reed Act money? **Ms. Gervais** said her understanding is that this transfer doesn't replace all of the general fund supporting Vocational Rehabilitation, Section 110, so she would look at the total general fund appropriation there. There may be some general fund left after this transfer. She would look for additional job training services being paid for out of the TANF program.

**Representative Kaufmann** referred to the Youth Challenge Program and asked how it is a job training program? **Director Swysgood** said that program is an extensive training program. Those individuals have dropped out of school and are high risk. This intervention allows them the opportunity to get a GED test and a lot of those graduates from that course go into job employment, go into the service or they go to college. **Representative Kaufmann** asked if he would use that logic saying K-12 public education is job training and ESA funds could go there as well? **Director Swysgood** said any form of education is job training. **Representative Kaufmann** said if we were to eliminate all the programs here, we would potentially have money to fund public education. **Director Swysgood** said they could take all the fund switches he has done and eliminate all the programs for education.

**Representative Buzzas** asked **Mr. Braun** if he wanted to completely fund the Department of Labor administration through those dollars and how much money is in the backfill he spoke of? **Mr. Braun** said there are two issues here. They are discussing the Employment Security Account and the funding shift by virtue of capturing Reed Act distribution money, the backfill of ESA to



fund the Job Service which is proper use of Reed Act money, so they are very limited. They are looking at the broader picture with the use of Reed Act money. He doesn't have the information in front of him where he can give an accurate depiction of exactly how the other \$14 million will be utilized. They have identified \$4 million right off the top to pay for a UI computer system, to retire a debt to develop that system.

**Chairman Lewis** announced Education will be next.

After a brief break, **Chairman Lewis** introduced Challenge program students. **Colonel Randall Mosley, Director, Department of Military Affairs**, said he appreciated the opportunity to allow these cadets to appear and identify themselves. They each spoke briefly in support of the program. **EXHIBIT(aph-8a03)**  
**EXHIBIT(aph-8a04)**

#### HEARING ON HB 4

**Sponsor:** **Representative Dave Kasten, HD 99** said this Bill temporarily suspends transfers to the School Technology Account. Currently, revenue collected from timber harvest on school lands in excess of 18 million board feet, is deposited in the School Technology Account, special revenue fund. HB 4 will remove this deposit in that account and redirect that revenue to the general fund for state schools. There is a companion Bill, HB 7, and if passed, will create the dedicated school revenue fund where these monies will go. If passed or approved by this session, the revenue, along with the interest, will be deposited in a school revenue fund.

**{Tape : 3; Side : A; Approx. Time Counter : 0 - 30}**

The Department of Natural Resources estimates that the revenue will be \$1.2 million in FY 2002 and \$1 million in FY 2003. Since most of this revenue is not distributed to the School Technology Account until very late in the fiscal year, revenue from the previous year is spent in the following fiscal year. While this proposal will reduce technology purchases of school districts for two years, it does not impact the core funding entitlement to schools.

**Jim Standaert, Legislative Fiscal Division**, said the numbers have changed. The handout, EX. 11, 7/24/2002, shows increased revenue to the general fund will be \$2.3 million. They discovered that FY 2002 revenues were actually higher than the \$1.2 million estimated earlier and is now \$1.8 million. The total revenue impact is \$2.9 million for the Bill.

**Proponents:** None

**Opponents:** Linda McCulloch, State Superintendent, Office of Public Instruction referred to the Governor's proposed budget cuts with the elimination of \$2.3 million in Timber Harvest Revenue targeted for classroom technology purchases. This revenue is distributed on a per pupil basis and reaches every district in Montana. After being notified by the Department of Natural Resources and Conservation that the projected \$1.2 million in timber harvest receipts was actually \$1.82 million, it meant an additional \$622,000 available for schools for this purpose. With the budget reductions, the cuts for this program would be \$2.8 million. She opposes these cuts. The OPI believes this violates the trust obligation and use of revenues from this land.

Eric Feaver, MEA/MFT said it is unconstitutional. An Enabling Act of the Constitution of this state dedicates the money for schools. The money cannot be diverted. Technology does not have to be replaced on an annual basis quite the same way teachers' salaries and health care benefits have to be addressed. So school districts do use this money to supplant their general fund obligations to meet their other program needs, including salaries, benefits and programs for children. This is an important source of money.

Bob Vogel, Montana School Board Association

Dave Puyear, Montana Rural Education Association

Jack Copps, Executive Director, Montana Quality Coalition.

Viola Johnson, Vice President, East Helena PTA

**Questions from Committee Members and Responses:**

Representative Fisher asked Mr. Puyear if he was aware we have 115 elementary schools who have less than 25 students and of that number 68 of those schools have less than 10 students. In the high school category there are 79 schools with less than 100 students. The high school represents 8.6% of the school enrollment and those 115 schools with less than 25 students represent about 1.2 % of the total enrollment. Are you working on a plan to consolidate any of these school districts? The smaller school district, with the present funding situation, is in better shape than the larger school districts.

**Mr. Puyear** said his organization represents the smaller rural schools across the state and are not opposed to consolidation. They are against forced consolidation because of the culture of Montana.

**Representative Buzzas** referred to the amount of money spent on teachers' salaries. Is it not true that even if there was consolidation, there would still be personnel costs because education is a service industry and we are paying for teachers in the classroom to deliver the product. **Mr. Puyear** said over 70% to 80% of Cascade County's budget went to personnel. The Class C and B schools are an example of administrative roles. The reality is someone still has to open the doors in those small schools if the community wants a school there. Those administrative roles often include driving bus, janitor and superintendent and they deserve their salaries. Several rural schools share staff.

*{Tape : 3; Side : B; Approx. Time Counter : 0 - 29.7}*

**Representative Lindeen** referred to **Mr. Feaver's** comments that this Bill was unconstitutional and asked the Sponsor to respond to that. He referred the question to **Director Swysgood** who said the way this works is under current law, this money would go into the general fund. If HB 7 passes, it creates a guaranteed fund and it will flow into that fund. Other general fund revenue that goes to fund education will be reduced by a like amount so this money would still be in use to fund education.

**Ms. McCulloch** said the Office of Public Instruction believes it is unconstitutional. **Valencia Lane, Legislative Attorney** said she conferred with **Greg Petesch, Director, Legal Services Office**, and after reading the Bill, said that it is not unconstitutional. The way the funds are diverted, they are still going to school funding.

**Representative Buzzas** asked **Director Swysgood** if this is conditioned on the passage of HB 7? **Director Swysgood** no it isn't. In the last session, they created a sub-fund within the general fund for certain items. If HB 7 doesn't pass, this money would then flow into that account and be dispensed. If HB 7 passes, which creates a guaranteed fund of state special revenue, then this money would flow into that. **Chairman Lewis** said the guaranteed fund doesn't particularly have budget impact at this time but basically, SB 495 last session from Secretary of State Brown and Superintendent McCulloch, litigation was filed on that and HB 7 would supposedly clarify so it will put them in a better position dealing with that litigation and this would be part of that because there is a separate fund, a special revenue fund.

**Representative Buzzas** referred to **Mr. Copps, Montana Education Coalition**, concerning the matter of constitutionality. **Mr. Copps** said he wanted to emphasize that accountability is a two-way street. The Supreme Court has made it clear that no matter how difficult the times, you cannot simply set aside constitutional responsibilities. The Constitution of this State specifically says that the legislature shall provide a free basic system of quality education.

**Representative Pattison** referred a question to **Mr. Copps** in terms of the state's responsibility and the 1988 Supreme Court's decision on equity. **Mr. Copps** said the Court said it would not attempt to define what the state's share would be for education because the funding system for education is really convoluted. There are too many funds and too complicated to try to rely on a simple figure. It did emphasize that the language in the Constitution says that the legislature shall provide. That does not mean that the legislature shall provide 100% of money. What that means is the legislature has an obligation to provide resources at whatever level to insure that adequacy occurs as well as equity. **Representative Pattison** asked if they are mandated by a certain formula to come up with the funding for the schools according the Supreme Court or the Constitution? **Mr. Copps** said he would not want the committee to accept his definition of adequacy. He is just repeating what the Supreme Court did say. It said that quality must be built on the basic accreditation standards.

**Representative Jayne** referred the Sponsor to lines 20-25 of the Bill. Now there is a definition of distributable revenue and what this Bill does is to make an exception for what the Bill is proposing to do. **Representative Kasten** said that is correct. That is where HB 7 comes in. In answer to a question from **Representative Jayne** concerning the term "dedicated school revenue", **Amy Carlson, Office of Budget and Program Planning** said that term is defined and created in HB 7. At the bottom of page 2, Coordination Instruction, this only takes effect if HB 7 passes. HB 7 takes all the dedicated school revenues, all those funds that are dedicated to schools, at least in the constitution and maybe in statute, puts them into one state special revenue fund. Right now there is no term "dedicated school revenue" in the Code. It would be a new creation created by HB 7 if it is passed.

*{Tape : 4; Side : A; Approx. Time Counter : 0 - 29.7}*

**Representative Davies** asked **Mr. Copps** to comment on the unstated assumption that more education money equals more quality

education. What recourse does the legislature and more importantly, the parents have if they believe the schools aren't teaching adequately? **Mr. Copps** said schools are operated by elected officials, school trustees, and are elected by the majority of those who vote in that community and determine those are the people who shall represent their interest. The voters have that avenue to replace those people so that they are properly represented.

**Representative Sinrud** asked **Ms. McCulloch** how she set the standards for accreditation. She said her office does not set the standards for public education in Montana. The State Board of Education is appointed by the Governor and serves for 7 years, and are the ones that make the standards.

**Representative Sinrud** asked **Eric Feaver** what he would suggest would be an adequate salary amount for teachers? **Mr. Feaver** said to start, \$25,000, and a maximum of \$50,000 after 15 years. Then add full family medical and a sign-up bonus of \$2,000 or \$3,000. **Representative Sinrud** asked **Mr. Feaver** if he would agree that teachers are much better paid than the normal average working Montanan? **Mr. Feaver** said teachers are much better educated and have a far greater responsibility than the average normal working Montanan, as well as the responsibility of your children and our future.

**Closing by Sponsor:** **Representative Kasten** closed the Hearing on HB 4.

*{Tape : 4; Side : B; Approx. Time Counter : 0 - 29.5}*

**Chairman Lewis** announced **Superintendent McCulloch** will address the reduction proposals for K-12.

**Linda McCulloch, Superintendent, Office of Public Instruction**  
**EXHIBIT**(aph-8a05)

**Steve Meloy, Executive Secretary, Board of Public Education**  
**EXHIBIT**(aph-8a06)

**Eric Feaver, MEA/MFT** said his organization is opposed to a Flex Plan reduction. He will support money from the Workmen's Comp fund as well as tax increases on cigarettes.

**Bob Vogel, Montana School Boards, EXHIBIT**(aph-8a07) **EXHIBIT**(aph-8a08)

**Reverend Bob Holmes, Semi-retired minister, Helena** spoke in favor of increasing taxes for everybody,

Meeting adjourned at 12:20 until 1:20

**{Tape : 5; Side : A; Approx. Time Counter : 0 - 29.5}**

**Pam Joeehler, Legislative Fiscal Division**, referred to page 80, of the Legislative Budget Analysis for the Higher Education Reduction. The net general reduction this committee will be addressing is \$3.19 million. It is approximately 3.5% general fund reduction. Page 81, Fiscal 2003 General Fund Reduction, Montana University System, shows the impact of not only the proposal being presented to the special session, but also the first revenue cuts of 3.5%. The committee will decide the level of cuts, if any, and the Board of Regents will ultimately decide how to manage those cuts. **Ms. Joeehler** referred to Page 83 with the comment: If the legislature does adopt the Governor's proposals for the Montana University System in special session and the Board of Regents ultimately approves the recovery of one-half of the combined general fund reductions through tuition and mandatory fee hikes, and assuming there are no additional budget reserves available, actual expenditure reductions would amount to approximately \$3.9 million, or about 37 percent of the combined reductions. If the full amount, with the same assumptions, the tuition fee increase would be approximately \$169 per student per year.

**Richard Roehn, Chairman, Board of Regents** **EXHIBIT**(aph-8a09)

**Richard Crofts, Commissioner, Higher Education** **EXHIBIT**(aph-8a10)

**{Tape : 5; Side : B; Approx. Time Counter : 0 - 25.5}**

**George Dennison, President, University of Montana** **EXHIBIT**(aph-8a11)

**Geoff Gamble, President, Montana State University** **EXHIBIT**(aph-8a12)

**Dan Gillan, Senior Biology Student, Havre, Representative of University of Montana Student Bodies.**

**John Swan, Associated Students, University of Montana**

**{Tape : 6; Side : A; Approx. Time Counter : 0 - 29.6}**

**Questions from the Committee:** Representative Kasten asked **Commissioner Crofts** what the average student debt is. **Dr. Crofts** said the average graduate of the Montana University system has a

debt of about \$17,000 a year, which is almost identical to the national average.

**Representative Hedges** to **Dr. Crofts** regarding his initial presentation of studies with peer institutions in terms of total costs of educating the students. How does this compare with North Dakota? **Dr. Crofts** said North Dakota can offer a lower tuition rate and he will get an analysis for **Representative Hedges**.

**Representative Davies** to **President Rhoem** concerning lost revenue with non-resident students who move to Bozeman, work and pay taxes for a year and then pay resident fees. **President Rhoem** said it is a problem that should be dealt with and will assist the legislature in any way.

**Representative Lindeen** to **President Gamble** concerning the Ag Experiment Stations and the second round of cuts to the Stations, what does he see as a direct result? **President Gamble** said it will impact eight additional faculty positions and will forego some needed equipment.

**Observations, follow-up questions and comments by Representatives Clark, Sinrud, Buzzas, Pattison, to President Gamble and Dr. Crofts.**

**Representative Lewis** offered an amendment concerning money spent on inter-collegiate athletics, \$7 million a year. The amendment will take \$3.5 million out of the University budget suggesting to the Regents they go to the alumni foundations and raise half the cost of inter-collegiate athletics. He asked for Regent Rhoem's reaction to that. **Regent Rhoem** said he would like to look closely at how much state aid does go to inter-collegiate athletics and evaluate it.

*{Tape : 6; Side : B; Approx. Time Counter : 0 - 28.6}*

### HEARING ON HB 3

**Sponsor:** **Representative Dave Kasten** said the Bill imposes a 20% reduction in funding for the general fund component of the pay plan all state employees. The general fund savings are approximately \$4.223 million and there will be some adjustments to that figure. The 20% reduction does not include a freeze on the 4% increase on the annual salaries of employees. Agencies will have to use other funds to pay for the increase. Agency directors will have the flexibility to implement this act.

**Proponents:** None

**Opponents:** Eric Feaver, MEA/MFT

Steve Yeakel, Representing a broad range of Human Service groups.

Steve Gettel, Superintendent, Montana School for the Deaf and Blind.

**Questions from Committee Members and Responses:** Representative Buzzas said obviously there will be lay-offs if this Bill passes. How many people will be involved and what amount of money is involved? Mr. Yeakel said he would not presume to give exact numbers but there will be service reductions now so service reductions will follow. Mr. Gettel said they are now looking at \$45,000 in reductions. That equates to 1 or 1.5 positions at his school.

Representative McCann asked Mr. Gettel if this Bill automatically equates to lost positions? Mr. Gettel said no.

Representative Lewis said this takes 20% of the money that was appropriated for the 4% pay increase. This is not a 20% pay cut, this is 20% of the 4% increase. In addition, that is roughly a 1% increase in vacancy savings. The Office of Budget and Program Planning has \$1 million in a contingency fund. Director Swysgood said they were appropriated \$1.3 million contingency fund. Half of that was left when they reduced that during the original round of cuts. He said his office would work with some of the hardships created through reductions, such as the School for the Deaf and Blind.

Representative Haines referred Representative Lewis to Page 89, Legislative Budget Analysis, and quoted: This proposal would reduce general fund appropriated for the fiscal 2003 pay plan by 20 percent. He asked Representative Lewis doesn't the pay plan include the existing pay structure? Representative Lewis said the appropriation in HB 13 paid for the 4% increase.

Representative Hedges asked Mr. Gettel if a student transfers from Plentywood to the School for the Deaf and Blind, do they send tuition money? Mr. Gettel said no, they are part of the public education system that is provided by the State of Montana. It was established because it was recognized deaf children could not be educated in their home district so there needed to be an alternative.



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Closing by Sponsor: Representative Kasten closed the Hearing on HB 3.

EXECUTIVE ACTION ON HB 2 AMENDMENTS

Representative John Witt, HD 89, said it has come to his attention, after reviewing the audit process, that most agencies are not adhering to his request that they cut travel by 25%. He is proposing again an additional 25% of the total travel budget. **EXHIBIT(aph-8a13)**

Motion: REP. WITT moved a conceptual amendment that in the 2003 budget 25% of travel will be reduced.

Taryn Purdy, Legislative Staff, asked Representative Witt if there are any exceptions to the travel with this amendment? Representative Witt said his position is for all agencies and make those exceptions as people demand, if needed.

Questions from the Committee: Representatives Jayne, Callahan, Lindeen, Fisher, Buzzas, Tropila, Hedges to Representative Witt.

Representative Witt closed.

Vote: Witt conceptual amendment passed 13-5 with Representatives Buzzas, Callahan, Jayne, Kaufmann and Lindeen voting no.

Motion: Representative Witt explained **EXHIBIT(aph-8a14)**. He offered and moved a conceptual amendment to reduce Office Supplies by 25%.

Questions from the Committee: Representative Jayne to Ms. Purdy,

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concerning software purchases. In the general overall category of Supplies, computers can appear there. Office supplies is a little bit more narrowly defined term. Representative Lewis said if computers are under \$5,000 they are part of Supplies.

Representatives Kaufmann, Kasten, Brueggeman, McCann, Lewis, Buzzas, Fisher, to Representative Witt and Joe Williams, Department of Corrections.

**Ms. Purdy** said in order to apply this, they will need to take it out of one line-item in the Bill so as not to change every single line item and then give the agencies the capability of moving that reduction to other programs. That would require some language. She wanted to clarify that was the intent of the committee and that it is OK for to do that. By putting that language in would allow them to do that. **Representative Witt** agreed.

**Discussion:** **Representative Jayne, Buzzas, Tropila, Haines,** to **Representative Witt** for clarification.

**Vote:** The Witt Conceptual Amendment to reduce office supplies by 25% passed 12-6 with Representatives Buzzas, Callahan, Jayne, Kaufmann, Lindeen and Tropila voting no.

#### EXECUTIVE ACTION ON HB 5

**Ms. Purdy** explained that the following is a technical amendment that was initially prepared by the budget office. The reason her initials are on it is they needed to put it in their system. This is the amendment that clarifies that the Research and Commercialization account would receive \$3.650 million in FY 2005. **EXHIBIT(aph-8a15)**

**Motion/Vote:** **REP. LEWIS** moved that **HB 5 BE AMENDED**. HB000501.atp  
Voice vote carried unanimously 18-0.

**Motion:** **REP. MCCANN** moved that **HB 5 BE AMENDED**. HB000501.abc

**Discussion:** **Representative Lewis** explained that the Administration has proposed taking \$1.2 million out of Research and Commercialization. This amendment would increase that to \$2.4 million with the intention of putting the additional \$1.2 million in his reduction, back into K-12.

In response to a question from **Director Swysgood, Todd Younkin, Legislative Staff,** said it applies to FY 2003.

**Mark Simonich, Director, Department of Commerce** said their contracts put language that says "subject to availability of funds". In the Research and Commercialization effort, it is important that those projects be able to continue once they get started. They are not just one year projects. They have made commitments in previous years as well as a commitment earlier this year for some of 2003 funding already. Of the \$4.85 million that was statutorily appropriated for Research and

Commercialization, \$1.6 million is not yet committed by the Board.

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**Questions from the Committee:** Representatives Hedges, Buzzas, Pattison, Haines, Lewis, Kaufmann with comments and concerns to Representative McCann who said they have to prioritize what it is they want to fund and this is the beginning of the process. This does not mean the end to Research and Commercialization.

**EXHIBIT(aph-8a16) EXHIBIT(aph-8a17)**

**Vote:** McCann amendment HB000501.abc failed 8 yes-10 no.

**Motion/Vote:** REP. LEWIS moved that HB 5 DO PASS AS AMENDED. Motion carried 11-7 with Representatives Buzzas, Callahan, Haines, Jayne, Kaufmann, Lindeen and Tropila voting no.

**Motion/Vote:** REP. LEWIS moved that HB 2 BE AMENDED for Ravalli and Cascade County Judges' staff. Motion carried unanimously.

**Motion/Vote:** REP. HEDGES moved that HB BE AMENDED for authority to reduce the Lottery budget by \$190,000. Motion carried unanimously.

**Discussion:** Taryn Purdy, Legislative Fiscal Division, referred the Committee to Pages 49 and 50 of the Legislative Budget Analysis concerning language. Pat Gervais, Legislative Fiscal Division said in addition to the language on page 50, the executive has requested that Section 2 of HB 2 be amended in the boilerplate personal services language to allow personal services line items to be moved to contracted services only in the disability services division of the Department of Public Health and Human Services.

**Motion/Vote:** REP. LEWIS moved that HB 2 BE AMENDED concerning language, Page 50 as explained above. Motion carried unanimously.

**Motion:** REP. FISHER moved that HB 9 DO PASS.

**Discussion:** Gary Hamel, Legislative Fiscal Division, said there are two amendments for HB 9 and explained (Orphan RIT) **EXHIBIT(aph-8a18)** and **EXHIBIT(aph-8a19)** HB000901.atp. **EXHIBIT(aph-8a20)**

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**Motion:** REP. FISHER moved that HB 9 BE AMENDED. HB000901.atp

**Discussion:** Mr. Hamel explained the amendment to HB 9 (above). It allows a transfer of the excess trust balance. Without that amendment that excess trust balance cannot be moved into Reclamation and Development. The second thing the amendment does is it reallocates interest that goes into four of the main RIT trust funds. Those funds are renewable resources, Reclamation and Development, Hazardous Waste, Environmental Quality Protection. It will increase the balance in Reclamation and Development by reducing the allocations of three of the funds. In total there is \$1 million available to be transferred from the Orphan Share Fund balance to the general fund.

**Representatives Buzzas, Fisher, Jayne, Kaufmann to Mr. Hamel and Ms. Purdy.**

**Vote:** Amendment HB000901.atp passed 15-3 with Representatives Buzzas, Jayne and Kaufmann voting no.

**Motion:** REP. WITT moved that HB 9 BE AMENDED. HB000902.agh  
**EXHIBIT**(aph-8a21)

**Discussion:** Mr. Hamel explained the amendment using EX. 20. This amendment restores \$300,000 of the \$500,000.

**Representatives Kaufmann, Fisher, Witt, Buzzas, McCann, Jayne, for further explanation to Mr. Hamel and Representative Lewis**

**Vote:** REP. WITT amendment HB000902.agh passed 15-3 with Representatives Callahan, Davies and Kaufmann voting no.

**Motion/Vote:** REP. FISHER moved that HB 9 DO PASS AS AMENDED. Motion carried 15-3 with Representatives Buzzas, Jayne and Kaufmann voting no.

**Motion:** REP. WITT moved that HB 2 BE AMENDED with the action of HB 9. HB000202.aty  
**EXHIBIT**(aph-8a22)

**Discussion:** Taryn Purdy, Legislative Fiscal Division, said what the above amendment does is implement in HB 2 what the Committee just did in HB 9. It reduces the amount of the transfer, the switch in funding in DNRC from State Special Revenue to general fund. She also pointed out that one of the things that the Committee passed in the conceptual part of HB 2 with HB 9 was the elimination of some language. That elimination will have to be undone. She will take care of that as part of this amendment.

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**Vote:** Witt amendment HB000202.aty passed 17-1 with Representative Jayne voting no.

**EXECUTIVE ACTION ON HB 10**

**Motion:** REP. LEWIS moved consideration of HB 10.

**Discussion:** Ms. Purdy said Amendment HB001001.atp was offered by the sponsor, Representative Balyeat. There was an inadvertent mistake in the Bill as drafted. It took too much money out of the Growth through Ag. The intent was to take \$500,000 out of Growth through Ag and this amendment effects that.

**Motion/Vote:** REP. LEWIS moved that HB 10 BE AMENDED. HB001001.atp. EXHIBIT(aph-8a23) Motion carried 16-2 with Representatives Buzzas and Jayne voting no.

**Motion:** REP. WITT moved that HB 2 BE AMENDED. HB000201.aty. EXHIBIT(aph-8a24)

**Discussion:** Todd Younkin, Legislative Fiscal Division, said the way he has drafted the amendment and what this HB 10 amendment will do is raise the percentage of Coal Severance Tax allocations that go into the Shared State Special Revenue Account. Currently, under the Governor's proposal, the Conservation Districts that had an appropriation reduced from approximately \$660,000 down to \$330,000. This amendment was drafted to add \$280,000 back into the Conservation Districts. This amendment changes the reduction to Conservation Districts from \$330,000 to \$50,000.

Representatives Lindeen, Jayne, Buzzas, Pattison, Haines to Representative Witt for clarification.

**Vote:** REP. WITT amendment HB000201.aty passed 11-7 with Representatives Buzzas, Callahan, Fisher, Kaufmann, Lindeen, McCann and Sinrud voting no.

**Motion/Vote:** REP. MCCANN moved that HB 10 BE AMENDED. HB001001.alt EXHIBIT(aph-8a25) Motion carried unanimously.

**Motion:** REP. KAUFMANN moved that HB 10 BE AMENDED. HB001001.avl EXHIBIT(aph-8a26)

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**Discussion:** Comments and Observations by Representatives Buzzas, Fisher, Pattison, Kasten, Sinrud, Haines, Kaufmann.

**Vote:** REP. KAUFMANN amendment HB001001.avl passed 10-8 with Representatives Clark, Fisher, Haines, Kasten, Pattison, Witt, Hedges and Sinrud voting no.

**Motion:** REP. LINDEEN moved that HB 10 BE AMENDED, Conceptually to reduce the cut by 15%, Page 54, Legislative Budget Analysis.

**Discussion:** Ms. Purdy, Legislative Fiscal Division said when the conservation districts were initially reduced in the Governor's budget, what she proposed to do was cut in half the amount of the coal tax money that conservation districts were getting. It is her understanding that conservation districts also get other monies from other sources, so that the 15% reduction overall in the conservation districts may not be applicable across the board to these others. If the committee would like to do a commensurate reduction in those other programs that get coal tax to the level that the conservation districts did, then she could make that adjustment.

**Motion:** REP. HAINES moved a substitute motion to divide and vote on each one separately.

**Vote:** REP. Haines Motion failed 8-10 with Representatives Brueggeman, Buzzas, Callahan, Davies, Kasten, Kaufmann, Lindeen, Witt, Lewis and Sinrud voting no.

**Vote:** REP. Lindeen Motion failed 6-12 with Representatives Brueggeman, Clark, Davies, Fisher, Haines, Kasten, McCann, Pattison, Witt, Lewis, Hedges and Sinrud voting no.

**Motion/Vote:** REP. TROPILA moved HB 10 DO NOT PASS. Motion failed 5-13 with Representatives Lewis, Clark, McCann, Brueggeman, Davies, Fisher, Haines, Jayne, Kasten, Pattison, Witt, Hedges and Sinrud voting no.

**Motion/Vote:** REP. LEWIS moved that HB 10 DO PASS AS AMENDED. Motion carried 12-6 with Representatives Buzzas, Callahan, Jayne, Kaufmann, Lindeen and Tropila voting no.

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**Motion/Vote:** REP. FISHER moved to make changes in HB 2 on passage of HB 10 as amended. Motion carried 14-4 with Representatives Buzzas, Callahan, Jayne and Kaufmann voting no.

Chairman Lewis announced tomorrow's meeting will start at 10:00 a.m.

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ADJOURNMENT

Adjournment: 6:25 P.M.

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REP. DAVE LEWIS, Chair

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MARY LOU SCHMITZ, Secretary

DL/MS

**EXHIBIT**(aph-8aad)